

TOWNSHIP OF ONONDAGA

FINANCIAL STATEMENTS

JUNE 30, 2008

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

TOWNSHIP OF ONONDAGA

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Onondaga
Ingham County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Onondaga, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Onondaga's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Onondaga as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of the Township of Onondaga's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Township Board
Township of Onondaga

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 23 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Onondaga's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

September 30, 2008

This section of the Township of Onondaga's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. It is best read in conjunction with the Township's financial statements that follow this section.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Onondaga financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

Budgetary Information for the General Fund
(Required Supplemental Information)

Other Supplemental Information

Reporting The Township As A Whole - Government-Wide Financial Statements

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to its residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government, public safety, public works, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

Reporting The Township's Most Significant Funds - Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

Reporting The Township's Fiduciary Responsibilities -The Township As Trustee

The Township is the trustee, or fiduciary, for its tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township As A Whole

Recall that the statement of net assets provides the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of June 30, 2008 and 2007:

TABLE 1	Governmental Activities	
	(In Thousands)	
	2008	2007
ASSETS		
Current and other assets	\$ 716.9	\$ 713.2
Capital assets - Net of accumulated depreciation	388.9	332.7
TOTAL ASSETS	1,105.8	1,045.9
LIABILITIES		
Current liabilities	21.0	18.5
Long-term liabilities	0.0	0.0
TOTAL LIABILITIES	21.0	18.5
NET ASSETS		
Invested in property and equipment - Net of related debt	388.9	332.7
Restricted	0.0	0.0
Unrestricted	695.9	694.7
TOTAL NET ASSETS	\$ 1,084.8	\$ 1,027.4

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. Township's net assets were \$1,084.8 thousand at June 30, 2008. Capital assets, net of related debt totaling \$388.9 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$695.9 thousand) was unrestricted.

The \$695.9 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2008 and 2007.

TABLE 2	Governmental Activities (In Thousands)	
	2008	2007
REVENUE		
Program Revenue		
Charges for services	\$ 17.2	\$ 19.3
Grants and categoricals	0.0	0.0
General Revenue		
Property taxes	107.7	104.5
State Shared Revenue	207.1	202.8
Other	34.1	39.6
TOTAL REVENUE	\$ 366.1	\$ 366.2

FUNCTION/PROGRAM EXPENSES	(In Thousands)	
	2008	2007
General Government	\$ 153.2	\$ 160.5
Public Safety	95.6	92.4
Roads	29.8	62.9
Community Enrichment	0.0	0.7
Depreciation (unallocated)	30.1	28.0
TOTAL FUNCTION/PROGRAM EXPENSES	308.7	344.5
INCREASE IN NET ASSETS	\$ 57.4	\$ 21.7

As reported in the statement of activities, the cost of all governmental activities this year was \$308.7 thousand. Certain activities were partially funded from those who benefited from the programs (\$17.2 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). The remaining "public benefit" portion of governmental activities were paid with \$107.7 thousand in taxes, \$207.1 thousand in State Revenue Sharing, and with other revenue, such as interest and general entitlements.

The Township experienced an increase in net assets of \$57.4 thousand. The key reason for the change in net assets was controlling expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the vast majority of the Township's operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

The Township's Funds

As noted earlier, the Township uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$695.9 thousand, which is an increase of \$1.2 thousand from last year. The primary reason for the increase is controlling expenditures. The General Fund, the principal operating fund, saw the fund balance increase \$1,221 to \$695,906, which is greater than the budgeted decrease of \$-92,960.

General Fund Budgetary Highlights

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Capital Asset And Debt Administration

Capital Asset

At June 30, 2008, the Township had \$388.9 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$56,096 or 16 percent, over last year.

	2008	2007
Buildings	\$ 263,762	\$ 177,520
Improvements	29,125	29,125
Vehicles	429,700	429,700
Equipment	102,925	141,125
Total Capital Assets	825,512	777,470
Less Accumulated Depreciation	436,653	444,707
Net Capital Assets	\$ 388,859	\$ 332,763

Other obligations include employee-compensated absences. More detailed information about long-term liabilities is presented in the notes to the financial statements.

Economic Factors And Next Year's Budgets And Rates

Elected officials and administration considered many factors when setting the Township's 2008-09 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual amount received depends on the State's ability to collect revenue to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenue. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenue. The Township's taxable value will be higher, increasing the property tax revenue. Expenditures will be very consistent with last year, except that a new fire department vehicle will be purchased.

Contacting The Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of the Township of Onondaga with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, P.O. Box 67, Onondaga, Michigan 49264.

TOWNSHIP OF ONONDAGA

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 684,295
Accounts Receivable	32,633
Prepaid Expenditures	---
Total Current Assets	<u>716,928</u>
Non-current Assets	
Capital Assets	825,512
Less: Accumulated Depreciation	<u>-436,653</u>
Total Non-current Assets	<u>388,859</u>
TOTAL ASSETS	<u>\$ 1,105,787</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 21,022
Accrued Salaries and Expenses	---
Accrued Interest	---
Deferred Revenue	---
Total Current Liabilities	<u>21,022</u>
Non-current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	---
Total Non-current Liabilities	<u>---</u>
TOTAL LIABILITIES	<u>21,022</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	388,859
Restricted for Debt Service	---
Unrestricted	<u>695,906</u>
TOTAL NET ASSETS	<u>1,084,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,105,787</u>

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 153,253	\$ ---	\$ ---	\$ -153,253
Public Safety	95,594	17,170	---	-78,424
Roads	29,827	---	---	-29,827
Community Enrichment	---	---	---	---
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	<u>30,146</u>	<u>---</u>	<u>---</u>	<u>-30,146</u>
Total Governmental Activities	<u>\$ 308,820</u>	<u>\$ 17,170</u>	<u>\$ ---</u>	<u>\$ -291,650</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 107,729
Property Taxes, Levied for Debt Service				---
State of Michigan Aid, Unrestricted				207,070
Interest Earnings				25,942
Other				<u>8,226</u>
Total General Revenue				<u>348,967</u>
CHANGE IN NET ASSETS				57,317
NET ASSETS - BEGINNING OF YEAR				<u>1,027,448</u>
NET ASSETS - END OF YEAR				<u><u>\$ 1,084,765</u></u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF ONONDAGA

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 684,295	\$ ---	\$ 684,295
Accounts Receivable	---	---	---
Due from Other Governmental Units	---	---	---
Due from Other Funds	31,973	---	31,973
Inventories	660	---	660
Prepaid Expenditures	---	---	---
TOTAL ASSETS	\$ 716,928	\$ ---	\$ 716,928
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 5,023	\$ ---	\$ 5,023
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Due to Other Governmental Units	15,999	---	15,999
TOTAL LIABILITIES	21,022	---	21,022
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	82,122	---	82,122
Unreserved and Undesignated	613,784	---	613,784
TOTAL FUND BALANCES	695,906	---	695,906
TOTAL LIABILITIES AND FUND BALANCES	\$ 716,928	\$ ---	\$ 716,928
TOTAL GOVERNMENTAL FUND BALANCES			\$ 695,906
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 825,512
Accumulated Depreciation is			<u>-436,653</u>
			388,859
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			
			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			\$ 1,084,765

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 107,729	\$ ---	\$ 107,729
State Grants	207,070	---	207,070
Permits and Licenses	17,170	---	17,170
Interest	25,942	---	25,942
Other	8,226	---	8,226
TOTAL REVENUE	366,137	---	366,137
EXPENDITURES			
General Government	153,253	---	153,253
Public Safety	95,222	---	95,222
Public Works	29,827	---	29,827
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	86,614	---	86,614
TOTAL EXPENDITURES	364,916	---	364,916
EXCESS OF REVENUE OVER EXPENDITURES	1,121	---	1,121
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
TOTAL OTHER FINANCING SOURCES <USES>	---	---	---
NET CHANGE IN FUND BALANCES	1,121	---	1,121
FUND BALANCES - BEGINNING OF YEAR	694,685	---	694,685
FUND BALANCES - END OF YEAR	\$ 695,906	\$ ---	\$ 695,906

See Accompanying Notes to Financial Statements.

TOWNSHIP OF ONONDAGA

Fund Financial Statements

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,221

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-30,146	
Capital Outlay	<u>86,242</u>	56,096

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 57,317

STATEMENT OF NET ASSETS**JUNE 30, 2008****ASSETS**

Cash and Cash Equivalents	\$ 1,027
Accounts Receivable	<u>---</u>

TOTAL ASSETS	<u>\$ 1,027</u>
---------------------	------------------------

LIABILITIES

Due to Other Funds	\$ 660
Due to Other Entities	<u>---</u>
Due to Other Taxing Units	<u>367</u>

TOTAL LIABILITIES	<u><u>\$ 1,027</u></u>
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Township of Onondaga covers an area of approximately 36 square miles located in Ingham County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds - These funds, used to account for assets held in trust or as an agent for others, include Current Tax Collection Fund and Agency Fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

C. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 14. The County of Ingham prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenue in the accompanying financial statements was recognized as that levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Ingham County for collection and to be added to the delinquent tax rolls. The County of Ingham purchases delinquent real property taxes of the Township of Onondaga. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This took place in June 2008. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2007 were .9167 mills for operations. Total taxable value of real and personal property in the Township was \$83,388,100.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 300,000	\$ 300,000
Uninsured & Uncollateralized	385,322	389,282
Total Deposits	<u>\$ 685,322</u>	<u>\$ 689,282</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2008.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2008, consisted of the following:

Due To:		Due From:	
General Fund	\$ 21	Tax Collection	\$ 21
General Fund	<u>639</u>	Trust and Agency	<u>639</u>
	<u>\$ 660</u>		<u>\$ 660</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Buildings	177,520	86,242	---	263,762
Improvements	29,125	---	---	29,125
Vehicles	429,700	---	---	429,700
Equipment	141,125	---	38,200	102,925
Subtotal	<u>777,470</u>	<u>86,242</u>	<u>38,200</u>	<u>825,512</u>
Accumulated depreciation:				
Buildings	39,881	6,202	---	46,083
Improvements	14,043	2,912	---	16,955
Vehicles	282,950	15,350	---	298,300
Equipment	107,833	5,682	38,200	75,315
Subtotal	<u>444,707</u>	<u>30,146</u>	<u>38,200</u>	<u>436,653</u>
Net capital assets being depreciated	<u>332,763</u>	<u>56,096</u>	<u>---</u>	<u>388,859</u>
Net capital assets	<u>\$ 332,763</u>	<u>\$ 56,096</u>	<u>\$ ---</u>	<u>\$ 388,859</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended June 30, 2008, the Township incurred no expenditures that were in excess of the amounts budgeted.

NOTE 7 - RETIREMENT PLAN

During the year ended June 30, 2008, the Township did not participate in any retirement plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2008, no claims exist, and no provision has been entered into the accounting records.

NOTE 10 - DUE FROM OTHER GOVERNMENTS

At June 30, 2008, the June State Shared Revenue payment of \$31,973 had not been received. It was received in July 2008.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ONONDAGA

Budgetary Comparison Schedule

GENERAL FUND

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 104,642	\$ 104,642	\$ 107,729	\$ 3,087
State Shared Revenue	203,678	203,678	207,070	3,392
Permits and Licenses	11,000	11,000	17,170	6,170
Interest	200	200	25,942	25,742
Other	9,075	9,075	8,226	-849
Transfers In	---	---	---	---
TOTAL REVENUE	328,595	328,595	366,137	37,542
EXPENDITURES				
General Government	180,400	170,960	153,253	17,707
Public Safety	118,355	119,355	95,222	24,133
Public Works	34,500	42,940	29,827	13,113
Recreation and Culture	1,300	1,300	---	1,300
Debt Service	---	---	---	---
Capital Outlay	87,000	87,000	86,614	386
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	421,555	421,555	364,916	56,639
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-92,960	-92,960	1,121	94,181
BUDGETARY FUND BALANCE - JULY 1, 2007	694,685	694,685	694,685	---
BUDGETARY FUND BALANCE - JUNE 30, 2008	\$ 601,725	\$ 601,725	\$ 695,906	\$ 94,181

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

TOWNSHIP OF ONONDAGA

General Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes	\$ 104,642	\$ 107,729	\$ 3,087
State Shared Revenue	203,678	207,070	3,392
Reimbursements	5,000	3,160	-1,840
Permits and Licenses	11,000	17,170	6,170
Interest	200	25,942	25,742
Cemetery Lots	1,000	1,250	250
Rental	1,500	1,675	175
Miscellaneous	1,575	2,141	566
TOTAL REVENUE	328,595	366,137	37,542
EXPENDITURES			
GENERAL GOVERNMENT			
Township Board	25,300	19,711	5,589
Supervisor	13,600	12,009	1,591
Elections	2,017	877	1,140
Attorney	5,000	2,885	2,115
Clerk	16,025	14,870	1,155
Assessor	16,400	16,075	325
Auditor	3,000	3,000	---
Treasurer	17,200	15,637	1,563
Township Hall	19,025	17,903	1,122
Board of Review	1,475	939	536
Cemetery	14,925	12,313	2,612
Liquor Inspector	450	---	450
Insurance	28,543	28,543	---
Payroll Taxes	8,000	8,491	-491
	170,960	153,253	17,707
PUBLIC WORKS			
Drains	11,940	11,940	---
Roads	26,000	13,451	12,549
Street Lights	5,000	4,436	564
	\$ 42,940	\$ 29,827	\$ 13,113

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
PUBLIC SAFETY			
Fire Department	\$ 74,000	\$ 57,024	\$ 16,976
Building Inspector	9,100	9,145	-45
Electrical Inspector	5,650	6,542	-892
Mechanical Inspector	4,800	4,242	558
Plumbing Inspector	3,700	2,847	853
Planning Commission	11,000	4,849	6,151
Zoning	11,105	10,573	532
	<u>119,355</u>	<u>95,222</u>	<u>24,133</u>
RECREATION AND CULTURAL			
Parks and Recreation	<u>1,300</u>	<u>---</u>	<u>1,300</u>
DEBT SERVICE	<u>---</u>	<u>---</u>	<u>---</u>
CAPITAL OUTLAY	<u>87,000</u>	<u>86,614</u>	<u>386</u>
TOTAL EXPENDITURES	<u>421,555</u>	<u>364,916</u>	<u>56,639</u>
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	<u>-92,960</u>	<u>1,221</u>	<u>94,181</u>
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	<u>---</u>	<u>---</u>	<u>---</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER <UNDER> EXPENDITURES AND OTHER USES	<u>-92,960</u>	<u>1,221</u>	<u>94,181</u>
FUND BALANCE - JULY 1, 2007	<u>694,685</u>	<u>694,685</u>	<u>---</u>
FUND BALANCE - JUNE 30, 2008	<u>\$ 601,725</u>	<u>\$ 695,906</u>	<u>\$ 94,181</u>

TOWNSHIP OF ONONDAGA

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

JUNE 30, 2008

	Balance 07/01/07	Additions	Deductions	Balance 06/30/08
CURRENT TAX COLLECTION FUND				
ASSETS				
Cash in Bank	\$ 96	\$ 2,748,763	\$ 2,748,838	\$ 21
Due from Other Funds	---	---	---	---
TOTAL ASSETS	\$ 96	\$ 2,748,763	\$ 2,748,838	\$ 21
LIABILITIES				
Due to Other Funds	\$ 6	\$ 112,605	\$ 112,590	\$ 21
Due to Other Taxing Units	90	2,636,158	2,636,248	---
TOTAL LIABILITIES	\$ 96	\$ 2,748,763	\$ 2,748,838	\$ 21

AGENCY FUND

ASSETS				
Cash in Bank	\$ 858	\$ 4,052	\$ 3,904	\$ 1,006
LIABILITIES				
Due to Other Entities	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	387	885	633	639
Due to Other Taxing Units	471	3,167	3,271	367
TOTAL LIABILITIES	\$ 858	\$ 4,052	\$ 3,904	\$ 1,006

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash in Bank	\$ 954	\$ 2,752,815	\$ 2,752,742	\$ 1,027
Due from Other Funds	---	---	---	---
TOTAL ASSETS	\$ 954	\$ 2,752,815	\$ 2,752,742	\$ 1,027
LIABILITIES				
Due to Other Entities	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	393	113,490	113,223	660
Due to Other Taxing Units	561	2,639,325	2,639,519	367
TOTAL LIABILITIES	\$ 954	\$ 2,752,815	\$ 2,752,742	\$ 1,027

3775 Kimmel Road

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board
Township of Onondaga

We have audited the financial statements of the governmental activities and each major fund of the Township of Onondaga, as of and for the year ended June 30, 2008, which collectively comprise the Township of Onondaga's basic financial statements and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Onondaga's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Onondaga's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Onondaga's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Onondaga's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Onondaga's financial statements that is more than inconsequential will not be prevented or detected by the Township of Onondaga's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Onondaga's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Onondaga's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, the Township Board, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake PC
Certified Public Accountant

September 30, 2008

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road

(517) 937-9333 Phone / 563-2552

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September 30, 2008

Township Board
Onondaga Township
Onondaga, Michigan 49264

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Onondaga Township for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Onondaga Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during this fiscal year. We noted no transactions entered into by the governmental unit, during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future

events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of uninsured cash in Note 2 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures, and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. The primary discussions held this year revolved around the segregation of responsibilities in the Township office. These discussions occurred in the normal course of our professional relationship, however, and our responses were not a condition to our retention.

This information is intended solely for the use of Onondaga Township, management of Onondaga Township and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Karl L. Drake". The signature is written in a cursive, flowing style.

Karl L. Drake, P.C.